

D.P.U. 93-3C

Application of Commonwealth Electric Company, under the provisions of G.L. c. 164, § 94G, as amended by St. 1981, c. 375, and the Company's tariff, M.D.P.U. No. 275, for approval by the Department of Public Utilities of a change in the quarterly Fuel Charge to be billed to the Company's customers pursuant to meter readings in the billing months of October, November, and December 1993.

Application by Commonwealth Electric Company for approval by the Department of Public Utilities of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. 8.00 and M.D.P.U. No. 251. The rules established in 220 C.M.R. 8.00 set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

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FOR: COMMONWEALTH ELECTRIC COMPANY
Petitioner

I. INTRODUCTION

On September 9, 1993, Commonwealth Electric Company ("Commonwealth" or "Company") filed with the Department of Public Utilities ("Department") an initial petition seeking a quarterly change to its fuel charge, in conformance with its tariff M.D.P.U. 275, and a change in the rates to be paid to qualifying facilities ("QF") for purchased power, pursuant to 220 C.M.R. 8.00, M.D.P.U. No. 251 and the Department's rules governing such rates. The Company requests that both these rates be effective for bills issued pursuant to meter readings in the billing months of October, November, and December 1993. In addition, the Company seeks approval of the Company's generating unit and system performance with respect to the Company's performance programs for the performance year 1992 through 1993.

Commonwealth, a wholly-owned subsidiary of Commonwealth Energy System ("ComEnergy"), serves approximately 258,000 customers in 38 cities and towns in southeastern Massachusetts, on Cape Cod, and on Martha's Vineyard. ComEnergy is an exempt holding company under the Public Utility Holding Company Act of 1935. ComEnergy's other subsidiaries, affiliates of Commonwealth, include Cambridge Electric Light Company ("Cambridge"), Canal Electric Company ("Canal"), Commonwealth Gas Company, and Commonwealth Energy Service Company ("ComEnergy Service"). Commonwealth operates several small oil/gas-fired generating units and has contractual interests in the Pilgrim 1, Yankee Rowe, and Point Lepreau nuclear units. The Company also has contractual interests in Canal Unit 1 and Canal Unit 2, two

large oil-fired units operated by the Company's affiliate, Canal.

On September 17, 1993, the Company filed with the Department a supplemental petition containing proposed changes to the fuel charge and the QF power purchase rates. For the October, November, and December 1993 quarter, the Company proposes to charge \$0.06656 per kilowatthour ("KWH"). In the Company's last fuel charge proceeding, the Department authorized a fuel charge of \$0.06387 per KWH, effective for bills issued pursuant to meter readings in the months of July, August, and September 1993.

Commonwealth Electric Company D.P.U. 93-3B (1993).

The Department scheduled a public hearing on the Company's application for September 24, 1993, at the Department's offices, 100 Cambridge Street, Boston, Massachusetts. The Department ordered the Company to give notice of the hearing by publication in the New Bedford Standard Times, the Cape Cod Times, and the Boston Globe; also, the Company was required to give notice to all intervenors in the Company's two most recent fuel charge hearings and to their respective counsel. There were no petitions to intervene filed in this proceeding.

The Company presented two witnesses in support of its application: Charles R. Fox, Jr., senior rate analyst, ComEnergy; and Michael R. Kirkwood, manager of power supply administration, ComEnergy. The Company submitted seven exhibits: the prefilled testimony of Charles R. Fox (Exh. CEC-1); schedules in support of Mr. Fox's testimony (Exh. CEC-2); bills and contracts for fuel oil supplies, purchased power, and transmission services for June, July, and August 1993 (Exh.

CEC-3); the prefiled testimony of Michael R. Kirkwood (Exh. CEC-4); schedules in support of Mr. Kirkwood's testimony (Exh. CEC-5); an affidavit of David E. Carriere (Exh. CEC-6); and prefiled testimony and supporting documents of David E. Carriere (Exh. CEC-6). The evidentiary record also includes the responses to two record requests issued by the Department.

II. PERFORMANCE REVIEW

The Company acknowledged that actual generating unit performances are varied from the targets established for the Company's performance programs for the performance year 1992 through 1993 (Exh. CEC-6, at 2). Pursuant to G.L. c. 164, § 94G, the Department has continued the hearing to investigate the variance between the established targets and actual generating unit and system performance (Tr. at 7).

III. FUEL CHARGE

The Company's proposed fuel charge of \$0.06656 per KWH is \$0.00269 higher than the fuel charge authorized in D.P.U. 93-3B for the quarter ending September 30, 1993 (Exh. CEC-1, at 4). The fuel charge is calculated by dividing the projected recoverable costs by the projected level of KWHs sold~~id.~~ at 5).

The Company projects its recoverable costs to be \$1,780,571 lower than recoverable costs in the previous quarter~~id.~~ at 7). Mr. Fox gave several reasons for the net decrease in recoverable costs. First, the Company projected a decrease of \$1,143,000 in energy costs (Exh. CEC-1, at 7). The Company attributed this decrease to a projection that the price of fuel will be lower in the projected quarter than the current quarter (Tr. at 31).

Second, the Company has indicated a decrease of \$6,350,343 in the other adjustment (Exh. CEC-1, at 7). The Company stated that the other adjustment represents a credit for the exclusion of purchased power expenses that were precollected in the prior period fuel charge (id. at 9).

The Company projected an increase of \$3,207,200 in purchase power demand and transmission costs (id. at 7). The Company attributed this increase to the Altresco-Pittsfield plant and Dartmouth Power plant recently coming on-line (Tr. at 23-24). Additionally, the Company noted increased costs associated with its contracts with MassPower (id. at 24). The Company projected an increase of \$2,505,572 in the prior period reconciling adjustment (Exh. CEC-1, at 7).

The Company projected a decrease in sales of 61,324,000 KWHs due to seasonal weather conditions (id. at 7). The projected lower KWH sales has the effect of increasing the Company's fuel charge decimal (id.). The net result of the downward pressure due to projected lower recoverable costs, coupled with the upward pressure due to projected lower sales, is an increase in the Company's fuel charge (id. at 8).

IV. QUALIFYING FACILITIES

The Department's rules, 220 C.M.R. 8.00, require that rates to be paid to QFs for energy be set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. 292.203(a) and adopted by the Department in 220 C.M.R. 8.02. In Exhibit CEC-4, Schedule 1,

at 1, the Company proposed standard rates to be paid to QFs during October, November, and December 1993. The rates proposed are displayed in the following table:

Energy Rate By Voltage Level (Dollars/KWH)

<u>Voltage Level</u>	<u>Peak Period</u>	<u>Off-Peak Period</u>	<u>Total Period</u>
Primary	0.02728	0.02337	0.02397
Secondary	0.02833	0.02432	0.02493

The Company also proposed short-run capacity rates of \$0.05364 for the primary and \$0.05456 for the secondary voltage levels for October through December (Exh. CEC-4, Sch. 1, at 9).

V. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be used by the Company for the billing months of October, November, and December 1993 shall be \$0.06656 per KWH, subject to refund. The calculation of the fuel charge is shown in Table 1, which is attached to this Order.

Consistent with the Order in Commonwealth Electric Company D.P.U. 90-3C (1990), regarding FERC-approved demand and energy costs associated with Seabrook 1, the Department will follow its precedent and allow the Company to include these costs in rates subject to refund upon the outcome of any prudence investigation the Department may conduct.

2. that the QF power purchase rates for October, November, and December 1993, shall be those set forth in Section IV above.

VI. ORDER

Accordingly, after due notice, public hearing, and consideration, it is

ORDERED: That Commonwealth Electric Company is authorized to put into effect a quarterly fuel charge of \$0.06656 per KWH, subject to refund, for bills issued pursuant to meter readings for the billing months of October, November, and December 1993; and it is

FURTHER ORDERED That such fuel charge shall apply to all KWHs sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' bills; and it is

FURTHER ORDERED That Commonwealth Electric Company's QF power purchase rates for the billing months of October, November, and December 1993, shall be those shown in Section IV of this Order; and it is

FURTHER ORDERED That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED That, pursuant to G.L. c. 164, § 94G (a) and (b), fuel costs allowed by this Order are subject to such

disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,